

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6697

BILL NUMBER: HB 1230

NOTE PREPARED: Jan 26, 2010

BILL AMENDED: Jan 20, 2010

SUBJECT: Grain Buyers and Grain Indemnity Program.

FIRST AUTHOR: Rep. Pearson

FIRST SPONSOR:

BILL STATUS: As Passed House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill makes certain changes in the grain buyers and warehouse licensing and bonding law, including the following: (1) eliminates an exception under which a person who buys less than 50,000 bushels of grain annually or who buys grain for the sole purpose of feeding the person's own livestock or poultry and derives a major portion of the person's income from selling that livestock or poultry is not subject to the requirements of the law for grain buyers; (2) authorizes the Director of the Grain Buyers and Warehouse Licensing Agency (Agency) to require a grain buyer offering deferred pricing, delayed payments, or contracts linked to the commodity futures or commodity options market in connection with a grain purchase to document the agreement in writing not more than 21 days after delivery; (3) requires the Director of the Agency to be a member of national grain regulatory organizations; (4) eliminates an exception under which a person is not required to be licensed if the person does not operate a facility used to store grain for hire, purchases less than 50,000 bushels of grain per year or uses all grain purchased for the production of the person's own livestock or poultry, and does not purchase grain by offering deferred pricing, delayed payment, or contracts that are linked to the commodity futures or commodity options market; and (5) provides that a depositor who does not present a claim at the hearing held by the director of the Agency concerning a possible shortage may bring a claim to the Agency within 15 days after the conclusion of the hearing.

The bill makes certain changes in the grain indemnity program law, including the following: (1) alters the definitions of the terms "claimant", "deferred pricing", "failure", "grain buyer", "warehouse", and "warehouse operator"; and (2) provides that, in determining the amount of compensation to which a claimant who incurred a financial loss due to the failure of a grain buyer is entitled, the compensable part of the claimant's loss is to be reduced by all credits and offsets and any producer premium that should have been due on the sale of the grain.

The bill repeals provisions: (1) defining a "valid claim"; (2) concerning a grain buyer's registration with the board of the Grain Indemnity Corporation; (3) authorizing inspection of the books and records of a registered grain buyer to confirm compliance with the law; (4) excluding a producer from protection under the grain indemnity program under certain circumstances; and (5) providing that the claim of a claimant who incurred a storage loss due to the failure of a warehouse operator is valid only if brought within one year after publication of notice of the grain buyer's failure.

Effective Date: July 1, 2010.

Explanation of State Expenditures: (Revised) The Indiana Grain Buyers and Warehouse Licensing Agency may experience increased administrative costs due to the bill's provisions. The Agency's existing resources should be sufficient to implement these changes.

Additionally, this bill requires the Director and the Director's designee of the Indiana Grain Buyers and Warehouse Licensing Agency to become members of the Association of Grain Regulatory Officials. There are membership fees of \$200 for state, federal, or other government agencies. This provision reflects current practice, and so should not be an additional expense to the Agency.

Explanation of State Revenues: Any increase in revenue from licensing fees is expected to be minimal. The provisions of this bill that would affect licensing fees, are meant to reflect current practice and to resolve inconsistencies in the statute.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Grain Buyers and Warehouse Licensing Agency.

Local Agencies Affected:

Information Sources: Sarah Simpson, Indiana State Department of Agriculture, 317-460-6380; Association of Grain Regulatory Officials.

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